# Trademark *Registration* Is Not a Right

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*There is widespread lack of understanding of how far brands' related trademarks depend on statutory registration. This legal innovation transformed the efficiency of advertising and made sponsorship, franchising, and international brands possible. It has resulted in mass-market products of consistent acceptable quality, which is often very high, but also in much of the harm now attributed to tobacco, alcohol, and junk foods. Public control of advertising for such products has proved difficult because firms in these industries can rely on constitutional rights to free speech or to property. Because trademark registration is not a right but a privilege granted for certain public objectives, withdrawing it for products that do not contribute to these objectives could escape such objections. It would greatly reduce the effectiveness of whatever advertising needs to be controlled, without interfering in any way with freedom to smoke, drink, overeat—or advertise.*

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Mass-advertised branded goods are of consistent acceptable quality and are also produced and distributed with great efficiency and economy, mainly through the scale of operations that advertising of brands makes possible. In some cases, such as pharmaceuticals, the correspondence between the brand and what is inside the package can literally be a matter of life and death. These benefits are obtained by the public because owners have the greatest possible interest in maintaining their brand equity—'the value added to the functional product or service by associating it with the brand name' (Aaker and Brel 1993; see also Aaker 1995). All of their managements are driven by fear of shortcomings in the functional product, one of the most spectacular examples of which was that of Perrier. This was a worldwide brand leader in mineral water, until one day benzene got into its source. Overnight, millions of bottles had to be withdrawn, and the brand became virtually worthless (Greyser and Klein 1990). It was eventually bought for a song by Nestlé, which is now painstakingly rebuilding it. The same fear of brand annihilation makes firms' auditors reluctant to include values for brands in balance sheets.

However, there is growing concern that the effects of mass-marketing may not be altogether beneficial. Branded junk foods are being blamed, for example, for growing levels of obesity in populations, and there are certainly some products where neither wide availability nor product quality benefit the public, since the products themselves are intrinsically harmful. This is the case with tobacco goods, which are now known to kill half their users. Others, such as alcohol, are not harmful in moderation but can be very much so in excess. Apart from the violence associated with the youth market for alcohol in many countries, for example, the World Health Organization (WHO 2004) claimed that one in four deaths of European male persons between fifteen and twenty-nine are alcohol related, and it attributed this significantly to the lifestyle advertising of the drinks industry, "which glamorizes drinking, contributing to a worsening and tragic public health crisis."

Use of tobacco is the greatest cause of preventable deaths, causing 5 million a year, and a cigarette is the only consumer product that kills in normal use (see World Health Organization's Web site, http://www.who.int/features/2003/08/en/). In markets for these goods, Pollay et al. (1996) found market shares to be significantly related to spending on advertising and that this result "is robust to various analytic assumptions and converges with strategic analysis, consumer behavior theory and research, economic metanalysis, historical research and corporate documents" (p. 85). Pollay is known as a crusader against the tobacco industry, but his findings have solid support. For example, despite claims by firms in the industry that advertising's only function is to affect market shares between competing brands, Andrews and Franke (1991) cited no fewer than forty-eight econometric studies that conclude

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that advertising significantly *increases* tobacco consumption. Of these, twenty-five analyze the demand for cigarettes in the United States; thirteen in the United Kingdom; and ten in other countries, including Australia, Finland, Greece, New Zealand, Papua New Guinea, and West Germany. As the studies come from a wide variety of American and British journals and books, there is no obvious threat to their validity arising from publication bias. They found that the significant relationship between advertising and cigarette consumption held across these studies, independent of study design factors.

Practitioners know well that one of the most effective ways of expanding mass markets is competition between *brands*, with maximum market segmentation: "The more finely segmented the market, the greater the likelihood that the firm will be able to implement marketing programs that better meet the needs of consumers in any one segment" (Keller 1998, 111). It stands to reason that if the marketing policies of individual brands are concentrated on articulating the needs of a particular section of a market into wants and then meeting these, then the *total* number of satisfied customers will be greatest and the overall market will grow correspondingly.

That the tobacco firms themselves do not believe that advertising only operates to shift shares within developed and static markets is shown by the extent to which they target young people, to get them to start smoking and so become addicted. Sensitivity to advertising is three times higher for teenagers than adults, so that "cigarette competition between firms is predominated by the battle for market share among the young" (Pollay et al. 1996, 2), and "there is a clear economic advantage to a tobacco company if the first brand smoked by a child is one of its brands" (Difranza et al. 1994, 334).

## POLICIES FOR CONTROL OF ADVERTISING

Concerns about such developments have led to efforts to bring advertising (and packaging, which can be regarded as an extension of advertising) under control in the interest of public health. The World Health Organization's convention on tobacco control, which binds acceding countries to act to this end, came into effect in February 2005 (see WHO Web site, http://www.who.int/features/2003/08/en/). However, policies for this have encountered strong and cleverly organized resistance. One of the alcohol and tobacco firms' most effective arguments is based on free speech, as in the International Declaration of Human Rights, echoing the First Amendment to the Constitution of the United States. Some recent judicial interpretations of the "Takings" clause of the Fifth Amendment of that Constitution can also be invoked, and a similar defense that could lead to compensation for loss is also available in other countries whose Constitutions contain strong guarantees of individual property rights, such as Ireland.

The net result has been that instead of being able to act decisively and quickly to control advertising that is held to contribute significantly to harm, the authorities in many countries have been involved in long wars of attrition, with every move on their part subject to constitutional challenges. It has only been possible to bar certain media to tobacco advertising, which simply results in substitution of other media for these, often with increased expenditure on advertising. For example, as discussed in Pollay (1994), Federal Trade Commission data show that after broadcast advertising for tobacco products was banned in the United States, total advertising expenditure dipped for a while but was soon back to earlier levels and continued to rise afterwards. In one of the most comprehensive reviews of published empirical studies, done for the National Bureau of Economic Research by Saffer and Chaloupka (2000), the conclusion is that partial bans on tobacco advertising do not reduce consumption, but complete bans do: "The countries in the Comprehensive Ban category have the lowest consumption and the greatest decline in consumption over time" (p. 1122).

If nothing less than comprehensive bans on advertising can contribute to the health authorities' objectives, therefore, they are immediately in constitutional deep water. For example, the Canadian Supreme Court struck down the 1988 Tobacco Product Control Act in 1995 because it banned the use of *all* communications media, even though it did recognize that Parliament had the right both to prohibit tobacco manufacturers from encouraging smoking and to inform the public about the harm that smoking causes (Pollay 2004). So the catch-22 for the authorities appears to be that any advertising ban that is less than complete will not work, but a ban that is complete and consequently can work will infringe upon free speech rights and be ruled unconstitutional.

## BRANDS AND TRADEMARKS

What follows offers some analysis that might contribute to an eventual solution to this dilemma. It builds on an important 1992 study by a business historian, Myra Wilkins, on "The Neglected Intangible Asset: The Influence of the Trade Mark on the Rise of the Modern Corporation." She was indeed right to call attention to this neglect, because while everyone involved in marketing takes brands very seriously, there is widespread lack of understanding of how brands as we know them today depend on their legal underpinning by *registered* trademarks. The concern of marketing practitioners is with building brands, and they take the world in which they are able to do this as part of the ordinary structure of the universe, like the law of gravity or night following day. The reality is altogether different. The scale of equity in modern brands, built up through distinguishing one product from another, preventing misappropriation of reputation, and justifying investment in maintaining consistent and generally high product standards, is unquestionable, but it depends on a legal *privilege*, not a right.

Although some countries grant the legal protection a brand needs because of its established reputation alone, most advanced ones added *registration* arrangements. The current U.S. system is a mixture of state common law rights and an optional federal registration system created by the 1946 Lanham Act (see Landes and Posner 2003, 183). As will become clear, the world of brands and marketing depends overwhelmingly on the laws that establish trademark *registration*, because every modern brand is based on ease of enforcement of the legally granted monopoly of a registered trademark. It is this monopoly that justifies investment in advertising and other marketing techniques to build brand equity into what for many firms today is much their most valuable asset.

## EVOLUTION OF TRADEMARKS

In their origins, distinguishing marks on products were in fact the opposite of assets—they were a disadvantage, like fingerprints (Schechter 1925, 140). Some early marks, for example, were on bread to identify individual bakers, so that when officials found that a loaf weighed less than it should, whoever was short-changing the public could be found and punished. To this day, the primary function of trademarks, as the law sees it, remains that of preventing the public from being deceived.

Until the transport revolution, this remained their only function, because goods were generally consumed close to where they were produced. As long as making and selling was mainly a local affair, it could never be the mark alone that would link goods with their maker, because they would probably have been bought from him without any intermediary, by a neighbor or near-neighbor who either knew a good deal about where and how they were made or was in a good position to find out. Goods sold at a distance did not carry with them these other sources of information, so that for these an identifying mark could also become an advantage to a producer, because it could contribute to a reputation for quality. This type of commerce expanded rapidly with improvements in transport, first with the coming of the canals and paved roads, and eventually, railroads.

One of the results of this was the emergence of property in identifying marks on products. In fields such as cloth and cutlery, from the fifteenth century onward, there had been an evolution of the emphasis in marks from origin to quality, so that what began as a liability tended to change into an asset. By 1801 in Britain, a freeman of the Cutlers' Company could bequeath his mark to his widow, who could continue to sell under it throughout the rest of her lifetime (Schechter 1925). Although this made the mark into a sort of property, it did not do so in defiance of the mark's function of protecting members of the public by indicating the origin of the goods that they bought. The character of the work coming from the workshop of a particular maker would be unlikely to change immediately on his death. Presumably, the team of craftsmen that he had assembled and trained would not be disbanded immediately but would maintain his standards of quality in the product for some years.

It is significant that these two areas where scholars detect the first emergence of property in marks, cloth and cutlery, relate to products that were traded widely, indeed internationally (as had been the case with marks on pottery in Roman times). With these, the ultimate buyer was separated both by distance and by intermediaries from the maker and so needed to be able to rely on the maker's mark as a guarantee of the quality of what he or she was buying. In these circumstances, it is easy to see how a trademark could turn into a valuable asset, from being originally a liability. As the physical barriers to selling at a remove were progressively reduced, there was a corresponding increase in the asset value of identifying marks for all sorts of products, because they enabled reputations for quality to be developed. This, of course, was the beginning of what is now called brand equity.

## JUDICIAL DECISIONS

In England, it is even possible to plot the change in legal emphasis regarding reputation (or "goodwill" as the law calls it) in terms of the time scale of improvements in communications brought about by the first railways: In *Sykes v. Sykes* (1824), a plaintiff succeeded in getting the courts to protect his mark because the articles made and sold by the defendant, who had copied the mark, were clearly inferior to his own. Such a decision was squarely within the legal tradition, since those who had bought the defendant's product, assuming that it had been made to the plaintiff's standard of quality, had been defrauded.

In *Blofield v. Payne* (1833), the jury found for the plaintiff even though they held that the goods made and sold by the defendant, with the plaintiff's mark on them, were not inferior goods. That is, members of the public were not defrauded in buying them in terms of the physical component of what they obtained, although they had indeed been deceived as to their origin.

In *Millington v. Fox* (1838), an injunction protecting a mark was given even though someone else had used it on his own product through ignorance, without any intention to defraud. The court held against the defendant on the ground that the plaintiff had a property right in his mark. The line of evolution of the mind of the courts is clear—and by the standards of the law, unusually rapid: well before the nineteenth century was halfway through, property in goodwill or reputation was a legally recognized fact of business life.

## "PSYCHOLOGICAL INGREDIENT"

Of these three cases, that of *Blofield v. Payne* deserves special attention. In it, there was no argument that physically, the goods sold by the defendant were in any way inferior to those of the plaintiff. The court's condemnation was because buyers had been deceived *as to their origin*. Since whatever benefits members of the public gain from knowing the source of the goods they buy can only be psychic benefits, that legal decision was the first that recognized a "psychological ingredient" in products. This, of course, is the most important element in marketing as we know it today.

As could be expected, once reputation became an important aspect of business life, opportunities opened up for it to be stolen by others who obtained sales for their own goods by free riding on another's valuable reputation for quality. Their heirs today are the sellers of fake Swiss watches or of clothing under fake designer labels. Evidence to a British House of Commons Committee in 1852 showed how widespread deceiving the public in this way already was by then (Ladas 1975).

File makers in Remschied in Germany, for example, put the names of Sheffield makers on their own *second-grade* products. J. & P. Coats, the thread makers, had to meet competition from reels bearing labels identical to their own, except for giving the maker's name as J. & T. Coats and omitting to state what length of thread was on the reel. Much English brandy (!) was exported to France to be sent out again as if from Cognac producers. Hennessy's, in particular, suffered from copying of this kind throughout the colonies. And the deposit paid by customers on bottles of Bass beer was sometimes returned to them only on condition that the labels were in sufficiently good condition to allow the retailer to use them again, this time to sell his own brew under the Bass name. One piece of evidence that must have carried special weight with the House of Commons Committee was that a French printer, whose display at a Paris Industrial Exposition showed how well he could copy *any* firm's label, carried off one of the prizes at it (Schechter 1925).

## DIFFICULTIES OF ENFORCEMENT

It was one thing, therefore, for makers of goods to have their right to their reputations recognized as property by the law, but quite another to be able to enforce that right against those who were in the business of stealing that property. Courts could only deal with this kind of theft if the public had been deceived by false use of a mark, but how could this deception be proved? Where would witnesses be found to testify that they associated a particular mark with goods that came from a particular maker?

The task of obtaining this kind of testimony was, in fact, so difficult that firms like J. & P. Coats told the 1852 committee that they had given up trying to pursue people who traded on their reputation. Finding witnesses who could say that they had been deceived was only part of the problem: a successful action could only deal with a single free rider, so that a firm might spend a major part of its resources in the courts trying to deal with an endless series of copiers one after another.

Clearly, therefore, as long as protection of reputation was only on the basis of common law, marketing as we know it, which depends on the full and unquestionable *ownership* of the trademark on which the brand is built, could never have come into being. What transformed the situation was a simple way of establishing the link between maker and mark, which eliminated the need for witnesses to deception in respect of this and thus solved the issue of ownership of trademarks once and for all.

The broad difference between the common-law system of the English-speaking world and that of civil law in continental Europe is that the former relies on judicial decisions to bring about changes in the law to a much greater degree than the latter, which generally requires an actual revision of a statute, or a new one. As has been seen, judges in England were able to make reputation into property, but an effective means of enabling that property right to be enforced was still lacking under the common law.

## TRADEMARK REGISTRATION

In contrast, the civil-law approach to trademarks was to establish public registers for them, so that once a mark was on the register in a particular owner's name, that owner had an absolute property right in it. This eliminated the need to prove in court that the public associated a mark with a particular maker and so gave legal protection even during the period when goodwill was being built up, and not only when it had already been established.

Under this solution to the copying problem, once the public register is in place, a court will accept evidence of the entry in it that a mark is the property of a particular firm or individual. There is no further need to look for witnesses who can testify to a link between mark and maker: registration puts ownership of a mark beyond all argument. With this issue easily and quickly disposed of, in any dispute the court need only attend to the substantive question of whether or not a particular mark has been infringed.

France started the worldwide movement toward trademark registration with its Act of 1857. In Britain, a Trade Mark bill and a Merchandise Marks bill were introduced in 1862, and another Select Committee of Enquiry of the House of Commons (1862), after hearing submissions on these, recommended that a public trademark registration system be established, in which registration would be prima facie evidence of ownership.

The government was slow to accept this recommendation, the only immediate result being legislation in 1862 that made "passing-off" (pretending that a product came from a particular source, when it did not) a criminal offence. It was not until 1875 that the first *Trade Marks Act* was passed in Britain. By it, a special way of writing a name could be registered, but not words unless they were old marks or were linked with a visual symbol of some kind. In 1883, a second—and much more important—act allowed "fancy" words to be registered, these being held to be words "obviously nondescriptive" or "obviously meaningless as applied to the article in question." In 1888, *invented* word was substituted for *fancy* word.

The parallel development of trademark law in the United States was different, because of the existence of an intellectual property clause in the Constitution. Many of the individual states passed trademark laws during the nineteenth century, but there was no federal trademark act until 1870. This, together with another act in 1876, was then held to be unconstitutional by the Supreme Court on the ground that a trademark is a monopoly, and Article 1.8 of the Constitution only gives authority to Congress to legislate for monopolies in the form of patents (the Trade Mark cases, 100 U.S. 82, 94 [1879]). Eventually, the growth of nationwide brands was facilitated by a 1905 act (United States Code, Title 15, sec. 81). This was based, not on Article 1.8, but on the commerce clause of the Constitution, which gives power to Congress "to regulate Commerce between the States, with foreigners and with the Indian tribes."

Trademark registration was therefore a radical break with the past, establishing a quite new type of property under the protection of the law. W. M. Hindmarch (1862), a queen's counsel who gave evidence to the 1862 House of Commons Select Committee, was perfectly right: trademark legislation in the second half of the nineteenth century, he said, added a quite new dimension to property. Of course, he could not envisage how far-reaching the consequences of that new right would be, in the growth of mass communications. Trademark registration actually brought into being a quite new kind of market power, the power to realize scale economies in communications related to a particular brand.

## REVOLUTION IN ADVERTISING

Businessmen were quick to respond to this incentive, as is illustrated by the reaction of W. H. Lever, the founder of the firm that today is Lever Bros. Corp. in the United States and Unilever in the rest of the world, and a major international producer of branded consumer goods. He saw very quickly what the 1883 *Trademark Registration Act* in Britain meant for marketing and acted upon it. The act was passed in May, and by September he had registered "Sunlight" soap, ready for business:

> Lever, though not technically expert in soap making, had the firm intention of establishing a soap of distinctive quality. The more successful it was, the greater the risk that others would try to copy his trade-mark. A distinctive trade-mark was as important as a distinctive soap. . . . "When ['Sunlight'] occurred to me, I had to go straight off to Liverpool and ask Thompson to register it at once: I was all in a tremble to have it registered, for fear somebody else had got it." Lever's intuition did not mislead him. He had stumbled on a name that could not only be registered in England but in every country in the world. (Wilson 1954, 27)

Why did Lever become so excited about trademark registration? The answer is that he understood how it had fundamentally changed the way in which advertising could work. Recall that he had been in the soap business before registration was possible. Throughout that period, "use" was all that could be relied on to protect a brand, because a court would need evidence that the public linked the brand with a particular maker. Given the lower level of protection this would provide compared with a *registered* trademark, the emphasis of advertising would have to change. In the preregistration era, the most important function advertising could perform would be to develop awareness in buyers' minds of the connection between the goods they were buying and the owner of the physical plant in which they were made. Only this might make it possible to find witnesses who could deliver the testimony needed in court to obtain a judgment against a copier or infringer. Once registration came in, there was no longer any need to use advertising in this way, because ownership of the brand was settled once and for all by entry in the register. With ownership out of the way, advertising's function could then be its modern one of developing brand equity through articulation of needs into wants for specific products and building up positive associations ("image") for the brand.

## "UNIQUE SELLING PROPOSITION"

But, it may be asked, could not both functions, that of linking the brand with the physical product's maker and developing equity in it in the modern sense, be combined in an advertising campaign or even in separate pairs of campaigns? The answer is, only with great loss of advertising effectiveness, because of the emphasis in the theory of mass communications that anything more than a *single* message seriously undermines persuasive power.

This was articulated in one of the foundational books of modern marketing, Rosser Reeves's (1961) *Reality in Advertising*. His concept of the "unique selling proposition" is one "that still to this day underlies most of our strategic thinking about campaigns" (Fletcher 1996). "It is capable of standing the test of time . . . some of to-day's best-loved and well-known campaigns have their roots in Reeves' u.s.p" (Mills 1997, 19). It was based on large-scale empirical research that showed that "the most successful campaigns . . . make a claim about the product, the claim happens to have the quality of uniqueness, and happens to be a claim of an order that is of interest to the reader" (Reeves 1961, 52). "Campaigns with the highest penetration are the ones that present the reader with one moving claim, or concept, which he can easily remember" (Reeves 1961, 97).

Because the audience for advertisements is able to remember so little of them, the importance of keeping to a single message is paramount: "Be cautious . . . that a distraction claim does not suddenly crystallize, i.e. a second claim which sucks power away from your u.s.p. . . . Like a vampire, it feeds on the blood of the major story, bringing it down below the point of major registration . . . it can cripple a television commercial. It can almost completely wipe out, hide, or obscure the unique selling proposition. It can take $1million worth of television time and make it worth $100,000—or less" (Reeves 1961, 97, 101). For a valuable unique selling proposition, information linking the brand to its owner would be just such a vampire claim and would have the destructive results described by Reeves.

An alternative emphasis in advertising, famously articulated by David Ogilvy (1963), stresses the importance of associating a brand with *feeling*. Yet this approach requires similar singularity if it is to be successful. As Reeves (1961) put it,

> It is better to drape a product, on the nonverbal level, with as many activating and pleasant associations as possible. We simply say: *The totality of the advertisement must project a Unique Selling Proposition, as well as a feeling.* Embellish it then, if you will, with gold or sprinkle it with stardust. Drape behind it the richest tapestries of the non-verbal school. We believe that a raw and naked u.s.p. is one extreme; and the richest brand image, which does not project an aim, is the other . . . the best theoretical objective is to surround the claim with the feeling. (p. 82)

The powerful image of the Marlboro man in the cigarette industry is a good illustration of how nonverbal advertisements and brand imagery can be and often are richly resonant with overtones and implications, while still delivering a highly focused message. It should be noted that although there is no *verbal* selling proposition in the Marlboro advertising, the *image* intended to be associated with smoking the cigarettes is just as unique as a verbal proposition would be. Outlaws, foremen, bosses, or even a sheriff, any of which might deliver a mixed message by challenging the Marlboro man's freedom and independence, are carefully excluded. The important principle is that mixed messages *of any kind* are weaker than a unique message, because of the nature of human cognition.

Consequently, attempts to make a product's advertising perform both functions (of developing brand equity and at the same time linking a brand with the name of the actual maker of the goods) would be self-defeating. This is true whether they are combined in individual advertisements or whether parallel campaigns, one linking the brand with its origin and the other trying to develop its selling proposition and/or image, are used. Either approach would contribute to the delivery of mixed messages, confuse their recipients, and lower the effectiveness of the advertising. As long as only common-law protection was available, therefore, advertising would remain of low efficiency, and as a result it could never have grown in importance as it has done.

In contrast, once the question of ownership is dealt with by registration, there need be no reference to it at all in advertising, which can focus on single, highly persuasive messages about image and the selling proposition. The effectiveness of advertising is transformed, and firms can use multiple brands in the same product class to segment and expand the market, without the public ever knowing that these brands actually come from the same stable. By the use of mass advertising in this way, within a few years, Lever had transformed the British soap industry, wiping out nine-tenths of the other British producers in the process (Edwards 1962, esp. 29-36).

Lever was able to invest to do this because he had a monopoly in his registered trademark, and this is, in fact, potentially by far the most valuable of any kind of intellectual property. Not only is a trademark virtually incontestable once registered, it is unlimited in time because a mark can be renewed indefinitely, usually at intervals of between six and ten years. This is in striking contrast to a patent, which expires after twenty years, or a copyright, which lasts for seventy years beyond the life of the author. If it is argued that no monopoly should be in perpetuity, the response is that no one has yet found a way of limiting the duration of registered trademarks generally without losing the great value of the incentive they give owners to maintain consistent quality in their products.

The first economist to recognize this aspect of trademark registration was E. H. Chamberlin ([1933] 1962), who wrote that "both patents and trade marks may be conceived of as pure monopoly elements of the goods to which they are attached: The competitive elements in both cases are the similarities between these goods and others. . . . Merely to suggest such a comparison is to raise serious doubts as to whether the monopoly element in patents is even quantitatively as important as that in trade marks" (p. 62).

## INTERNATIONAL DEVELOPMENTS

It has already been noted that some of the earliest trademarks were for the few goods that were sold across international borders. This is understandable, given that the value of a mark as a guarantee of quality depends on how far buyers lack other information about the origin of products. When trademark registration was being urged on the British House of Commons Select Committee in 1862, it was claimed that one of its benefits would be to enable traders obtain protection for their marks in other countries on a basis of reciprocity.

Trademark registration was indeed the making of international brands. Before it, even the limited protection a maker's mark or brand could obtain could only *follow* actual sales. The maker then had a legal right to protection for whatever reputation this could build up for his product, under the common law. Registration of a trademark, on the other hand, is possible before the goods the mark is intended for are put on the market at all: "The Common Law protection against 'passing-off' will protect established lines of goods from imitation, but will not provide a shield behind which new Goodwill can be built up . . . [but] . . . since registration gives almost an absolute right to stop others from using a mark or a mark like it, Goodwill *can be built up* behind the protection given by the Trade Marks Act" (Kerley's Law of Trade Marks and Trade Names [1960] 1986, 83).

This is precisely what happened. Firms that had established themselves at home could be expected to want to develop their business in other countries. However, without trademark registration, until they had actually developed reputation abroad for these goods, they would have no protection for their brands there and so would be vulnerable to local firms free riding on them. If registration was available to them in other countries, however, they would have legal monopoly protection for their brands even before selling began there, making international expansion not just practicable but very attractive.

Serious discussions of a general arrangement between countries about recognizing each other's trademarks and other aspects of what came to be called industrial property took place at an exhibition in Vienna in 1873, and two conferences on the subject were held in Paris in 1878 and 1880. These led to the International Convention for the Protection of Industrial Property of 1883, otherwise known as the Paris Convention, which can be regarded as the charter of the international brand. It now has 183 countries as members and has never been changed in any substantial way. This longevity is almost certainly due to its extraordinary simplicity. Each member country is free to have any form of industrial property regime it may prefer, only binding itself, as far as patents and trademarks are concerned, to treat nationals of all other member countries in exactly the same way as its own. In practice, it meant that almost every member country that did not have a trademark registration law enacted one (Beier 1975).

Brands received still further international protection from the Berne Convention in 1886, the objective of which was to protect literary works. With the growth in importance of advertising, firms were now able to use this convention to prevent their successful advertising campaigns from being plagiarized abroad.

For example, U.S. advertising agencies began quite early to lodge copies of all their clients' material, whether print or film, in the Library of Congress, as was then required to obtain copyright protection. When the investment in research and creative work behind any one of these campaigns is taken into account, it can be seen how advantageous it could be to a competitor in another country to copy and use it to promote his own brand, but this is prevented by the international arrangements. For a number of years, before the United States joined the Berne Convention, these included another international copyright treaty that it sponsored, the Universal Copyright Convention. Between the Paris Convention, which delivers international monopolies in trademarks, and the Berne and Universal Copyright Conventions, which protect the advertising that builds up registered trademarks into brands, it was inevitable that brands would become worldwide in their scope. Taking advantage of the protection that these conventions provided, several U.S. brands, including Coca-Cola, were already international by the end of the nineteenth century (*International Directory of Company Histories* 1988-1993). In the other direction, Lever Brothers Corp. had no fewer than three plants producing soap in the United States for sale under its Sunlight brand by the same time.

## CONSEQUENCES OF REGISTRATION

The consequences of trademark registration laws in terms of transforming the effectiveness of advertising and of making brands international have gone far beyond anything that could have been envisaged when those laws were passed. It is not only the huge modern marketing and advertising industries of today whose existence can be attributed to this legal innovation. The media also largely depend on it, because they now get the greater part of their revenue from advertising (some even get 100 percent). So does professional sport, which would be impossible as we know it without sponsorship by brands. Franchising, which is now the normal way of operating for many industries, is clearly possible only because of trademark registration. It is this that provides the ability to divorce ownership of the brand completely from ownership of physical assets to produce a product or service. McDonald's, for example, can operate throughout the world without the need to own a single piece of the kitchen equipment behind any pair of golden arches. All of this is owned and operated by local franchisees. The vast haulage industry also owes much of its existence to trademark registration, since many of the products it transports are effectively indistinguishable in physical terms, yet their psychological differences as a result of branding make it worth while to move them, often over great distances.

The influence of brand marketing is not only in terms of fast-moving consumer goods, which have a high proportion of psychological ingredient and which have widened consumer choice to an unprecedented degree. Large and authoritative surveys in the United States, the European Union, and Japan have established that first mover advantage, or lead time, is also the preferred means of protecting the results of investment in research and development, even in many technical fields (think of "Intel inside"; see Cohen et al. 2002). First mover advantage or lead time, of course, depends on branding and on the ability to protect brands even before sales commence, which only trademark *registration* makes possible.

## A PRIVILEGE, NOT A RIGHT

It should be clear from the foregoing analysis that all this formidable structure of modern marketing has been built up on the basis of a privilege, not a right. Of course, there is a right to reputation in a trademark under the common law, but there is no similar right to *registration* of such a mark, which is a privilege granted by the state by statute for a public purpose. This purpose arose out of the inability of common law protection of reputation on its own to prevent widespread deception of the public about the origin of goods they bought. It developed into the best means yet discovered of motivating producers to maintain consistently acceptable and high quality in mass-market products.

Any legal privilege can be modified or even eliminated in the wider public interest, so that it is legitimate to speculate about the possibility of withdrawing the privilege of trademark registration from products that do not conform to the objectives for which it was introduced. To take one specific issue, given the amount of scientific evidence that tobacco products are harmful to health, then it is evidently not to the public benefit that they can be manufactured in quantity to consistent standards, nor that they can be widely and efficiently distributed—the purposes for which the privilege of trademark registration was introduced. Yet both the tobacco firms and the public health authorities that are trying to control them share a common assumption that the firms have a *right* to the trademarks that make possible not just their brand advertising and packaging but also their ability to sponsor sport and similar image-building activities to build up their brand equity.

This assumption is false. Trademark owners do not have a right to registration. And since registration is a privilege, it can be withdrawn in any case where the result that it is intended to bring about either has not been achieved or cannot be. Withdrawing the privilege in any case of this kind would not interfere with any natural or constitutional *rights*. Nobody would be prevented from smoking, nor from making or selling and advertising relevant products. However, for the brands affected, the effectiveness of their advertising would be greatly reduced. Since the protection available to brands would then be limited to what the common law provides, their ownership could only be asserted through the inefficient means discussed earlier. The primary objective of advertising could then only be to try to develop and strengthen a link in public awareness between a product *and its actual manufacturer*, so as to be able to find witnesses to testify to this link in court in an action against a copier. To achieve even a modest level of protection for the brand, most of its advertising would have to focus on this link. Use of its advertising budget to develop images, to foster lifestyles, and to influence culture—in other words, in those activities that best contribute to building up brand equity—would be a misdirection of resources if free riders were able at the same time to take advantage of the brand's reputation. Moreover, for the reasons explained earlier, trying to use advertising to achieve the two objectives simultaneously would seriously diminish its effectiveness for *both* of them.

A policy of segmenting markets would spread the effect of a firm's marketing effort even thinner, so that this means of achieving market growth would be correspondingly less effective. Withdrawal of registration consequently has the potential to bring about something close in effect to a comprehensive ban on advertising products harmful to health, thus achieving the authorities' objectives in a way that would not be subject to any constitutional challenge.

In practice, of course, the links that established advertisers had built up with media and sporting organizations on one hand, and with their public on the other, could probably withstand any such change for a considerable time. However, as happens with every other kind of intellectual property, sooner or later the temptation to free ride on a reputation would become too great for at least one predator firm, and once the results of this were seen, the floodgates of competition would be opened to the great disadvantage of firms whose trademarks were no longer registered. They would then have the same difficulties in establishing their ownership of brands as the firms in the preregistration era, discussed earlier.

## THE WORLD TRADE ORGANIZATION

What then prevents trademark law from being changed in such a manifestly beneficial way? The answer appears to be that the firms with most interest in brand equity appear to have stolen a march on the authorities through recent developments in international trade law. The General Agreement on Tariffs and Trade (GATT) was changed into the World Trade Organization in 1994, and this has an annex on Trade-Related Aspects of Intellectual Property (TRIPs). This was brought into existence primarily through corporate lobbying. As Susan Sell (2003) put it in her remarkable study, *Private Power: Public Law*: "In effect, twelve corporations made public law for the world" (p. 96).

Tobacco industry influence can be suspected in the way protection of trademarks was strengthened in TRIPs. First, in its Article 15.4, it took over Article 7 from the Paris Convention, to the effect that "the nature of the goods or services to which a trade mark is to be applied shall in no case form an obstacle to the registration of the mark." Second, a trademark's registration has to be renewed in each country at intervals, and although an individual member country of the Paris

Convention could not refuse to *register* a trademark for any category of goods, it was under no obligation to *renew* it, and this freedom was in fact used. Article 18 of TRIPs closed this off by specifying that trademarks now have to be renewable *indefinitely*.

A third and very significant change can be found in TRIPs' Article 20, which provides that "the use of a trademark in the course of trade shall not be unjustifiably encumbered by special requirements." It is easy to see how useful this can be to the tobacco firms in resisting the authorities. They have already claimed that even prohibiting them from using terms such as *light* and *mild* in their advertising, or forcing them to use plain packaging, are unlawful under this article (see McGrady 2004, 60-61).

## THE POOR COUNTRIES

Poor countries were induced to enact the strong intellectual property rights required for membership of the World Trade Organization by promises of better access to Western markets and reductions in U.S. farm and European Union export subsidies (promises which, incidentally, have not been kept). This meant, among other things, that they have had to establish full trademark registration regimes on the Western model, and this can now be seen to have serious implications for the health of their peoples.

The interest of Western firms in developing their brands in such countries is limited because buying branded products requires discretionary income, of which buyers there have little. However, the tobacco industry is a striking exception to this. The more inhospitable to it the developed countries become, the more its firms are turning their attention to the poorer ones. The fact that under TRIPs these countries must now provide them with a modern trademark registration regime means that they can develop brands there through use of the techniques of mass-marketing they understand so well.

Not all countries are open to them, since in some cases (China being an outstanding example) the sale of tobacco products is a highly lucrative government monopoly. However, where they are free to do so, tobacco firms can be expected to seek to exploit markets in poor countries, to make up losses in advanced-country markets.

## AMENDING TRIPS?

Such countries therefore have a particular and urgent need to be able to deny trademark registration to products that are not in the public interest, such as by being harmful to health. Article 71.1 of TRIPs provides for its review at two-yearly intervals, and Article 19 of the Declaration of the Doha Ministerial meeting (November 14, 2001) specifically instructed the Council for TRIPS to 'take fully into account the development dimension …in pursuing this work.'

The health implications of registered trademark protection for tobacco products in poorer countries therefore appear to call for Articles 15.4, 18, and 20 of TRIPs to come under this review. In fact, nothing more would be needed than to extend to trademarks what TRIPs already allows in respect of *inventions*. Article 27.1 prescribes that "members may exclude from patentability inventions, the prevention within their territory of the commercial exploitation of which is necessary to protect . . . *ordre public* or morality including human, animal or plant life or health, or to avoid serious prejudice to the environment."

The poor countries joined TRIPs in almost total ignorance of intellectual property, and it is highly unlikely that any of them could or would take initiatives about this themselves. However, in recent years, they have received powerful intellectual support from nongovernmental organizations such as Oxfam (www. Oxfam.org) and especially the Quaker United Nations Office in Geneva (www.Quno.org). It was this support that enabled them to mount coherent campaigns at negotiations in Doha and Cancun, to gain changes in the interpretation of TRIPs that now give them wider access to drugs for combating AIDS. The same intellectual support could also be a crucial factor in bringing about the desirable changes to TRIPs in respect of trademark registration.

Any such proposals for changes in international law should also have the energetic support of advanced countries whose authorities find it difficult if not impossible to control mass-market products that are considered to be harmful. In those countries also, denial of trademark *registration* to such products would be no more than recognition that they are incapable of contributing to the public good objectives for which registration was devised. It would be the free-market and rights-respecting way of bringing unjustifiable brand equity under control in the public interest.

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